

ARCO Alaska, Inc.
Post Office Box 100360
Anchorage Alaska 99510-0360
Telephone 907 276 1215



David W. Hanson
Staff Permit Coordinator
Prudhoe Bay/GPMA (ATO-1968)
907-263-4745
907-264-4334 (fax)

December 5, 1997

Mr. Jim Baumgartner
Alaska Dept. of Environmental Conservation
410 Willoughby Avenue
Juneau, AK 99801

Re: Construction Permit Application
ARCO Alaska, Inc.
Flow Station 3, Prudhoe Bay Unit

Dear Mr. Baumgartner:

ARCO Alaska Inc. (AAI) requests revisions to AQCP to Operate 9473-AA012 for Flow Station 3 (FS-3) in the Eastern Operating Area of the Prudhoe Bay Unit. The current permit was issued under former 18 AAC 50.400. Under the provisions of 18 AAC 50.305(a)(3), the owner or operator of a facility may request department approval in a construction permit application to revise or rescind conditions of a permit issued under former 18 AAC 50.400. AAI is submitting this application, as required, to revise or rescind existing permit conditions that are 1) in error; 2) do not correctly reflect applicable requirements; 3) are out-dated; or 4) are otherwise inappropriate. AAI does not seek approval in this application to construct new equipment or modify existing equipment.

Interplay of Title V application and construction permit application

AAI and its consultant (SECOR) have described previously to John Stone, you, and others with ADEC the need for simultaneously filing Title V and construction permit applications. With rigorous review of existing permit conditions required in preparing Title V applications, AAI has identified certain conditions which need to be revised or rescinded and not included in Title V operating permits. Because many companies throughout the country have similar issues, EPA suggested a process to address the problem in the July 10, 1995, White Paper on Title V applications. As described in AAI's letters of June 30, 1997, and September 7, 1997, to John Stone, AAI is using EPA's suggested parallel processing to remove or rescind existing permit conditions where appropriate.



To facilitate coordination between ADEC's Title V permit group in Anchorage and your group in Juneau, AAI is submitting this Title V application and construction permit application to both permit groups. Appendix A of the Title V application contains the construction permit application.

Please note that AAI is requesting that ADEC review and approve as soon as possible the construction permit application in accordance with applicable procedures in 18 AAC 50. AAI is not asking ADEC to combine the Title V and construction permit applications into one review and public notice process. AAI requests issuance of the construction permit well in advance of the Title V permit.

A \$6,000 check for permit administration fees required under 18 AAC 50.400 will be submitted under separate cover to the ADEC office in Anchorage. This payment is the appropriate retainer fee for the two applications.

Format of construction permit application

The construction permit application includes ADEC construction application Form A, Form K, and attachments which identify in a tabular format the requested revision and an explanation of why the existing permit condition should be revised or removed. Additional explanation is provided below.

Additional Explanation for Requested Revisions

Emission limits established by EPA

Between 1979 and 1981, EPA Region 10 issued four PSD permits for AAI Prudhoe Bay facilities. AAI has spent considerable resources working with EPA during the last year to clarify and revise emission limits in these EPA PSD permits. ADEC has been copied on all correspondence with Region 10 in this regard. This effort resulted in issuance by EPA on August 29, 1997, of revisions to the four PSD permits that apply to AAI Prudhoe Bay facilities. A copy of the EPA permit revision is included for your reference. The primary revisions include identification of specific equipment and tag numbers, apportionment of either field-wide or facility-wide ton per year limits to unit-specific limits, and updating emission limits based solely on AP-42 factors to values in the current edition of AP-42.

The permit revision process with EPA was similar to this request because approval was not sought for any new construction or modification. As part of the EPA process, AAI demonstrated to Region 10 that on a ton per year basis an overall decrease in allowable emissions would occur under the permit revision. The only exception was an increase in allowable SO₂ emissions due to

subsequent permitting by ADEC that raised the SO₂ BACT limit established by EPA in one of the four EPA permits issued (PSD IV).

In general, ADEC has sought to include emission limits in permits issued under former 18 AAC 50.400 that correspond to BACT limits previously established by EPA. However, ADEC has sometimes established limits to equipment that was grandfathered and installed prior to the PSD program. In other cases, ADEC has established an emission limit, not via a PSD modification, which has a different value, usually lower, than the EPA BACT limit. In these latter cases, there was no reasonable basis for the lower limit.

This application requests that each current EPA BACT emission limit be established as the current limit in the ADEC permit for the facility. Some ADEC limits may need to be revised to accommodate this request, or a new emission limit may need to be established if no limit applies in the current permit.

Any reference in Attachment B with respect to "EPA PSD II BACT and 8/29/97 permit revision" or "EPA PSD IV BACT and 8/29/97 permit revision" is referring to points described above. It is important that correct BACT limits are established and that EPA and ADEC permits are consistent.

Enforceable emission limits

With respect to emission limits in tons per year, the current FS-3 permit does not clearly indicate whether values in columns labeled "tons/year" are emission limits. In contrast, ADEC has used a footnoting system for the column labeled "operating/emission limit or estimate", to indicate which values are limits and which are estimates. AAI is requesting that each value in the tons/year column be clearly referenced as a limit or an estimate. AAI has determined that only turbines which went through EPA PSD review have BACT limits in tons per year. AAI has designated in Attachment B which ton per year limits are from an EPA PSD permit, as amended on August 29, 1997.

On Page 3 of Attachment B, AAI requests revisions to the current permit for three GE turbines (Tag Nos. 14-1803, 14-1804, and 14-1806) which were permitted by EPA in PSD-X80-09 (PSD II). This permit was significant only for NO_x, CO, and PM. The BACT emission limits that apply to these turbines are contained in the PSD II permit amended by EPA on August 29, 1997. AAI is requesting that the current permit be revised to reflect these BACT limits. This request includes the addition of new limits for CO and PM, a revision to the ton per year limit for NO_x, and the EPA opacity limit of 10 percent, 6 minutes per hour.

On Page 4 of Attachment B, AAI requests revisions to the current permit for two Ruston TB 5000 turbines (Tag Nos. 14-15105 and 14-15106) which were also permitted by EPA in PSD-X80-09 (PSD II). AAI's requested revisions reflect the correct BACT limits in EPA PSD II, as amended on August 29, 1997.

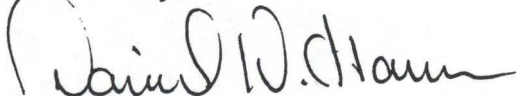
On Page 5 of Attachment B, AAI requests revisions to the current permit for two Ruston TB 5000 turbines (Tag Nos. 14-15188 and 14-15189) which were permitted by EPA in PSD-X81-13 (PSD IV). This permit was significant for NO_x, CO, SO₂, and PM. The EPA BACT limits are shown in the PSD IV permit amended on August 29, 1997. Note that PSD IV contains only ton per year limits for SO₂ and PM. AAI requests that the current limit of 25 ppm H₂S in fuel gas be revised to 30 ppm for consistency with H₂S estimates in fuel gas at other Prudhoe Bay facilities operated by AAI. The permit revisions requested by AAI reflect the correct BACT limits established by EPA.

On Page 6 of Attachment B, AAI requests revisions to the current permit of ratings for certain heaters and diesel-fired equipment. This request is based on new information.

Summary

AAI requests that a construction permit be issued that amends AQCP to Operate 9473-AA012 for FS-3 and reflects requested revisions in Attachments A and B. Please contact me at (907) 263-4745 with questions or to schedule a meeting.

Sincerely,



David W. Hanson

Attachment

cc: Bob Hughes, ADEC, Juneau
Laurie Kral, EPA, Seattle